

SAYDEL COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2006

## Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis (MD&A)	4-13
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 14
Statement of Activities	B 15
Governmental Fund Financial Statements:	
Balance Sheet	C 16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 17
Statement of Revenues, Expenditures and Changes in Fund Balances	E 18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 19
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 20
Statement of Revenues, Expenses and Changes in Net Assets	H 21
Statement of Cash Flows	I 22
Notes to Financial Statements	23-32
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds	33
Notes to Required Supplementary Information - Budgetary Reporting	34
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	1 35
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2 36
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 37
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4 38
Schedule of Expenditures of Federal Awards	5 39-40
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	41-42
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	43-44
Schedule of Findings & Questioned Costs	45-50

Saydel Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2005 Election)		
Joel Godwin	President	2007
Buddy Hicks	Vice President	2007
Kirk Hartung	Board Member	2007
Paul Breitbarth	Board Member	2005
Ray Livingston	Board Member	2006
Susan Moon	Board Member	2006
Chris Snyder	Board Member	2005

Board of Education  
(After September 2005 Election)

Joel Godwin	President	2007
Buddy Hicks	Vice President	2007
Kirk Hartung	Board Member	2007
Paul Breitbarth	Board Member	2008
Ray Livingston	Board Member	2006
Susan Moon	Board Member	2006
Brian Bowman	Board Member	2008

School Officials

Chuck Knight	Superintendent	2006
Joyce Johnson	District Secretary/Treasurer and Business Manager	2006
Ahlers & Cooney, P.C.	Attorney	2006

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Saydel Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Saydel Community School District, Des Moines, Iowa as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Saydel Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2006 on our consideration of Saydel Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 33 through 34 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Saydel Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

October 27, 2006

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Saydel Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2006 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$11,392,678 in fiscal 2005 to \$11,698,606 in fiscal 2006, while General Fund expenditures increased from \$11,050,209 in fiscal 2005 to \$12,036,032 in fiscal 2006. This resulted in a decrease in the District's General Fund balance from \$2,965,968 in fiscal 2005 to a balance of \$2,628,542 in fiscal 2006, a 11.4% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and federal sources in fiscal 2006. The increase in expenditures was due primarily to an increase in instruction and support services functional areas.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Saydel Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Saydel Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Saydel Community School District acts solely as an agent or custodial for the benefit of those outside of District government.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Saydel Community School District Annual Financial Report**

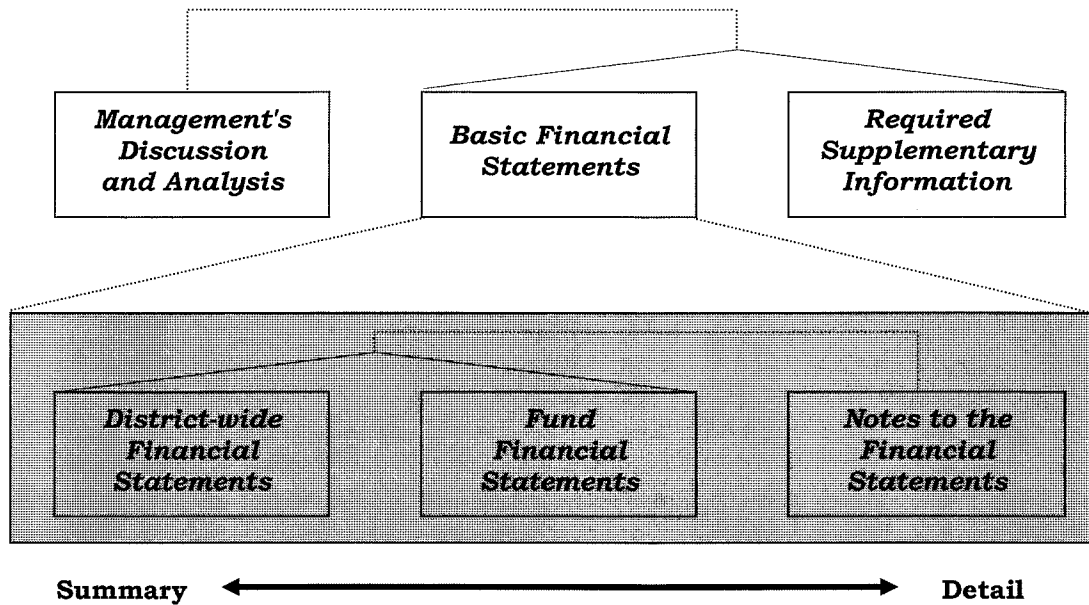


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid



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## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has three enterprise funds, the School Nutrition Fund, the Cornell Elementary Preschool Fund and the Eagles Nest Daycare Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2006 compared to June 30, 2005.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 15,242,751	14,681,322	274,719	193,933	15,517,470	14,875,255	4.32%
Capital assets	12,501,195	12,733,090	96,300	86,497	12,597,495	12,819,587	-1.73%
Total assets	27,743,946	27,414,412	371,019	280,430	28,114,965	27,694,842	1.52%
Long-term obligations	9,566,794	10,836,387	0	0	9,566,794	10,836,387	-11.72%
Other liabilities	8,565,677	7,643,683	9,033	7,576	8,574,710	7,651,259	12.07%
Total liabilities	18,132,471	18,480,070	9,033	7,576	18,141,504	18,487,646	-1.87%
Net assets:							
Invested in capital assets, net of related debt	6,027,287	4,462,415	96,300	86,497	6,123,587	4,548,912	34.62%
Restricted	1,021,789	1,587,969	0	0	1,021,789	1,587,969	-35.65%
Unrestricted	2,562,399	2,883,958	265,686	186,357	2,828,085	3,070,315	-7.89%
Total net assets	\$ 9,611,475	8,934,342	361,986	272,854	9,973,461	9,207,196	8.32%

The District's combined net assets increased by 8.32%, or \$766,265, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$566,180, or 35.65% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$242,230, or 7.89%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2006.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 1,205,035	1,170,457	453,705	415,462	1,658,740	1,585,919	4.59%
Operating grants and contributions and restricted interest	1,211,921	1,108,063	293,656	274,788	1,505,577	1,382,851	8.87%
General revenues:							
Property tax	5,983,845	6,462,905	0	0	5,983,845	6,462,905	-7.41%
Local option sales and services tax	1,333,686	1,551,939	0	0	1,333,686	1,551,939	-14.06%
Unrestricted state grants	4,590,581	4,743,203	0	0	4,590,581	4,743,203	-3.22%
Other	491,174	137,739	7,092	2,951	498,266	140,690	254.16%
Total revenues	14,816,242	15,174,306	754,453	693,201	15,570,695	15,867,507	-1.87%
Program expenses:							
Governmental activities:							
Instructional	7,662,583	6,726,741	0	0	7,662,583	6,726,741	13.91%
Support services	4,831,223	4,873,171	0	0	4,831,223	4,873,171	-0.86%
Non-instructional programs	250	1,680	664,994	652,997	665,244	654,677	1.61%
Other expenses	1,645,053	2,204,712	0	0	1,645,053	2,204,712	-25.38%
Total expenses	14,139,109	13,806,304	664,994	652,997	14,804,103	14,459,301	2.38%
Change in net assets before other financing uses	677,133	1,368,002	89,459	40,204	766,592	1,408,206	-45.56%
Loss on asset disposal	0	0	(327)	0	(327)	0	-100.00%
Change in net assets after other financing uses	677,133	1,368,002	89,132	40,204	766,265	1,408,206	-45.59%
Beginning net assets	8,934,342	7,566,340	272,854	232,650	9,207,196	7,798,990	18.06%
Ending net assets	\$ 9,611,475	8,934,342	361,986	272,854	9,973,461	9,207,196	8.32%

In fiscal 2006, property tax and unrestricted state grants account for 71.4% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.1% of the revenue from business type activities.

The District's total revenues were approximately \$15.6 million of which \$14.8 million was for governmental activities and less than \$0.8 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.87% decrease in revenues and a 2.38% increase in expenses. The increase in expenses related to increase in the negotiated salary and benefits.

### Governmental Activities

Revenues for governmental activities were \$14,816,242 and expenses were \$14,139,109.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 7,662,583	5,668,420
Support services	4,831,223	4,821,548
Non-instructional programs	250	250
Other expenses	1,645,053	1,231,935
Totals	<u>\$ 14,139,109</u>	<u>11,722,153</u>

- The cost financed by users of the District's programs was \$1,205,035.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,211,921.
- The net cost of governmental activities was financed with \$5,983,845 in property tax, \$1,333,686 in local option sales and services tax, \$4,590,581 in unrestricted state grants and \$262,141 in interest income.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$754,453 and expenses were \$664,994. The District's business-type activities include the School Nutrition Fund, the Cornell Elementary Preschool, and the Eagles Nest Daycare. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, the Saydel Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$6,788,543, below last year's ending fund balances of a \$7,163,921. However, the primary reason for the decrease in combined fund balances in fiscal 2006 is due to increases in the negotiated salary and benefits.

### **Governmental Fund Highlights**

- The District's deteriorating General Fund financial position is the result of many factors. Overall, District revenues for fiscal 2006 dropped as compared to one year ago. This coupled with expenses rising by 2.38% from one year ago, ensured the financial position of the General Fund would decline.
- The Management Fund balance decreased from \$999,316 in fiscal 2005 to \$941,026 in fiscal 2006. The 69.6% decrease in property tax monies received by the District as compared to fiscal 2005 ensured that the Management Fund would decrease in fund balance. The revenues received in fiscal 2006 (\$239,418) for the Management Fund could not cover expenditures (297,708).
- The Capital Projects Fund balance decreased from \$75,424 in fiscal 2005 to a deficit \$30,740 in fiscal 2006. This was partially due to the transfers of money from this fund to the Debt Service Fund to pay off District bond obligations during the year.

- The Debt Service Fund balance increased from \$2,535,183 in fiscal 2005 to \$3,007,561 in fiscal 2006.

### Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$272,854 at June 30, 2005 to \$361,986 at June 30, 2006, representing an increase of 32.67%.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Saydel Community School District amended its annual budget one time to reflect additional expenditures associated with all functional areas.

The District's revenues were \$767,633 more than budgeted revenues, a variance of 5.19%. The most significant variance resulted from the District receiving more in local source revenues than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. In a difficult budget year, the District amended budgeted disbursements one time by \$3,601,977 across all four functional areas.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2006, the District had invested \$12.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.76% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$851,907.

The original cost of the District's capital assets was \$30.1 million. Governmental funds account for \$29.9 million with the remainder of \$.2 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$1,123,638 at June 30, 2005, compared to \$1,402,108 reported at June 30, 2006. This decrease resulted from machinery and equipment acquisitions being greater than dispositions during the year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 7,500	7,500	0	0	7,500	7,500	0.00%
Buildings	10,269,455	10,729,123	0	0	10,269,455	10,729,123	-4.48%
Land improvements	822,132	872,829	0	0	822,132	872,829	-6.17%
Machinery and equipment	1,402,108	1,123,638	96,300	86,497	1,498,408	1,210,135	19.24%
Total	\$ 12,501,195	12,733,090	96,300	86,497	12,597,495	12,819,587	-1.76%

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## Long-Term Debt

At June 30, 2006, the District had \$9,566,794 in general obligation bonds payable, revenue bonds payable, and early retirement payable. This represents a decrease of 11.7% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonds of \$4,480,000 at June 30, 2006.

The District had outstanding revenue bonded indebtedness at June 30, 2006 of \$4,890,000.

The District had total outstanding Early Retirement payable of \$196,794 at June 30, 2006.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2006	2005	
General obligation bonds	\$ 4,480,000	5,080,000	-11.8%
Revenue bonds	4,890,000	5,675,000	-13.8%
Early Retirement	196,794	81,387	100.0%
Totals	<u>\$ 9,566,794</u>	<u>10,836,387</u>	<u>-11.7%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District's major funding sources are based on student enrollment numbers gathered in September of every year. Saydel Community School District has seen a decline in basic enrollment from 1,449.6 in 2003, 1409.9 in 2004 to 1,358.1 in 2005. This normally represents a significant reduction in funding for the school, but it must also be noted that while the District experienced a decline in resident students, it also recorded an increase in open enrolled students, 145 in 2003, 148 in 2004 and 188 in 2005. The funds for educating those students will come from their resident Districts.
- It remains a concern for the District that the overall student population has seen a decline, but it is hoped that the planned-for, additional, affordable housing in the area will become a reality in the near future. It is not unreasonable to assume that at least a portion of the housing would be purchased by those with school age families. Saydel CSD has a traditionally stable population, often seeing those educated here remain in the District after graduation, and the additional housing is seen as an opportunity to help keep the enrollment numbers in a more stable position.
- While the proposed additional housing would increase the tax base from the residential side of the spectrum, the business support of the tax base has not demonstrated many new additions. Construction on the incarceration center to be built in the District has begun but it will not add to the tax base. The businesses in the District area do appear to be continuing to grow so that the tax burden remains apparently stable.
- It is a concern of this District, as well as every District in the state, that certain costs will continue to increase, such as those associated with negotiated agreements with unions, i.e. salaries and benefits. The District continues to approve an Early Retirement Plan in an effort to achieve costs savings through higher paid teachers retiring early and hiring less experienced teachers as replacements that typically will be paid less, thus resulting in a cost savings to the General Fund. Other uncontrolled costs such as fuel also continue to be

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watched. With the legislature's hesitancy to fully fund and increase funding, knowing that these costs will continue to rise, the District remains vigilant to use completely and efficiently all the resources it has at its disposal.

- In an effort to ensure the efficient use of all resources, the District maintains a conservative approach to budgeting. It may also be worth noting that no matter the funding source, whether the state or individual taxpayers, any funds budgeted for are never fully received, hence encouraging the conservative approach. Even given the concerns, it is the belief that the overall financial health of the District will remain stable.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joyce M. Johnson, District Secretary/Treasurer and Business Manager, Saydel Community School District, 5740 NE 14<sup>th</sup> St, Des Moines, Iowa, 50313.

## BASIC FINANCIAL STATEMENTS



SAYDEL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 7,770,593	265,064	8,035,657
Receivables:			
Property tax:			
Delinquent	82,394	0	82,394
Succeeding year	6,732,681	0	6,732,681
Accounts	13,191	567	13,758
Due from other governments	643,892	0	643,892
Inventories	0	9,088	9,088
Capital assets, net of accumulated depreciation(Note 4)	12,501,195	96,300	12,597,495
<b>TOTAL ASSETS</b>	<b>27,743,946</b>	<b>371,019</b>	<b>28,114,965</b>
<b>LIABILITIES</b>			
Excess of warrants issued over bank balance	212,644	0	212,644
Accounts payable	372,582	1,331	373,913
Salaries and benefits payable	1,125,894	4,155	1,130,049
Accrued interest payable	111,469	0	111,469
Deferred revenue:			
Succeeding year property tax	6,732,681	0	6,732,681
Other	10,407	3,547	13,954
Long-term liabilities(Note 5):			
Portion due within one year:			
General obligation bonds payable	455,000	0	455,000
Revenue bonds payable	815,000	0	815,000
Early retirement payable	28,293	0	28,293
Portion due after one year:			
General obligation bonds payable	4,025,000	0	4,025,000
Revenue bonds payable	4,075,000	0	4,075,000
Early retirement payable	168,501	0	168,501
<b>TOTAL LIABILITIES</b>	<b>18,132,471</b>	<b>9,033</b>	<b>18,141,504</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	6,027,287	96,300	6,123,587
Restricted for:			
Phase III	32,118	0	32,118
Early intervention	3,285	0	3,285
Management levy	744,232	0	744,232
Physical plant and equipment levy	151,358	0	151,358
Other special revenue purposes	90,796	0	90,796
Unrestricted	2,562,399	265,686	2,828,085
<b>TOTAL NET ASSETS</b>	<b>\$ 9,611,475</b>	<b>361,986</b>	<b>9,973,461</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 4,061,091	782,582	710,619	(2,567,890)	0	(2,567,890)
Special instruction	2,160,141	227,060	78,509	(1,854,572)	0	(1,854,572)
Other instruction	1,441,351	195,393	0	(1,245,958)	0	(1,245,958)
	7,662,583	1,205,035	789,128	(5,668,420)	0	(5,668,420)
Support services:						
Student services	456,838	0	0	(456,838)	0	(456,838)
Instructional staff services	510,802	0	0	(510,802)	0	(510,802)
Administration services	1,470,194	0	0	(1,470,194)	0	(1,470,194)
Operation and maintenance of plant services	1,783,134	0	0	(1,783,134)	0	(1,783,134)
Transportation services	610,255	0	9,675	(600,580)	0	(600,580)
	4,831,223	0	9,675	(4,821,548)	0	(4,821,548)
Non-instructional programs:						
Food service operations	250	0	0	(250)	0	(250)
Other expenditures:						
Facilities and acquisitions	315,929	0	978	(314,951)	0	(314,951)
Long-term debt interest	358,879	0	0	(358,879)	0	(358,879)
AEA flowthrough	412,140	0	412,140	0	0	0
Depreciation(unallocated)*	558,105	0	0	(558,105)	0	(558,105)
	1,645,053	0	413,118	(1,231,935)	0	(1,231,935)
Total governmental activities	14,139,109	1,205,035	1,211,921	(11,722,153)	0	(11,722,153)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	585,859	343,805	293,656	0	51,602	51,602
Other business-type activities	79,135	109,900	0	0	30,765	30,765
Total business-type activities	664,994	453,705	293,656	0	82,367	82,367
Total	\$ 14,804,103	1,658,740	1,505,577	(11,722,153)	82,367	(11,639,786)
General Revenues:						
Local tax for:						
General purposes				\$ 4,735,469	0	4,735,469
Debt Service				792,559	0	792,559
Capital outlay				455,817	0	455,817
Local option sales and services tax				1,333,686	0	1,333,686
Unrestricted state grants				4,590,581	0	4,590,581
Unrestricted investment earnings				262,141	7,092	269,233
Other				229,033	0	229,033
Total general revenues				12,399,286	7,092	12,406,378
Changes in net assets before other financing uses				677,133	89,459	766,592
Other financing uses						
Loss on asset disposal				0	(327)	(327)
Change in net assets after other financing uses				677,133	89,132	766,265
Net assets beginning of year				8,934,342	272,854	9,207,196
Net assets end of year				\$ 9,611,475	361,986	9,973,461

\* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	General	Manage- ment Levy	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
<b>ASSETS</b>						
Cash and pooled investments	\$ 3,504,000	938,301	0	2,996,647	331,645	7,770,593
Receivables:						
Property tax:						
Delinquent	62,478	2,725	0	10,914	6,277	82,394
Succeeding year	4,893,571	370,000	0	637,380	831,730	6,732,681
Accounts	5,753	0	0	0	7,438	13,191
Due from other governments	461,988	0	181,904	0	0	643,892
<b>TOTAL ASSETS</b>	<b>\$ 8,927,790</b>	<b>1,311,026</b>	<b>181,904</b>	<b>3,644,941</b>	<b>1,177,090</b>	<b>15,242,751</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Excess of warrants issued over bank balance	\$ 0	0	212,644	0	0	212,644
Accounts payable	269,376	0	0	0	103,206	372,582
Salaries and benefits payable	1,125,894	0	0	0	0	1,125,894
Deferred revenue:						
Succeeding year property tax	4,893,571	370,000	0	637,380	831,730	6,732,681
Other	10,407	0	0	0	0	10,407
Total liabilities	6,299,248	370,000	212,644	637,380	934,936	8,454,208
Fund balances:						
Reserved for:						
Phase III	32,118	0	0	0	0	32,118
Early intervention	3,285	0	0	0	0	3,285
Debt service	0	0	0	3,007,561	0	3,007,561
Unreserved:						
General	2,593,139	0	0	0	0	2,593,139
Management	0	941,026	0	0	0	941,026
Capital Projects	0	0	(30,740)	0	0	(30,740)
Physical plant and equipment levy	0	0	0	0	151,358	151,358
Other special revenue purposes	0	0	0	0	90,796	90,796
Total fund balances	2,628,542	941,026	(30,740)	3,007,561	242,154	6,788,543
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 8,927,790</b>	<b>1,311,026</b>	<b>181,904</b>	<b>3,644,941</b>	<b>1,177,090</b>	<b>15,242,751</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2006

Total fund balances of governmental funds (page 16)	\$ 6,788,543
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	12,501,195
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(111,469)
Long-term liabilities, including general obligation bonds payable, revenues bonds payable, and early retirement payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(9,566,794)</u>
Net assets of governmental activities (page 14)	<u><u>\$ 9,611,475</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2006

	General	Management	Capital Projects	Debt Service	Other Nonmajor Special Revenue Funds	Total
<b>REVENUES:</b>						
Local sources:						
Local tax	\$ 4,537,543	197,926	1,333,686	792,559	455,817	7,317,531
Tuition	1,009,642	0	0	0	0	1,009,642
Other	350,602	41,387	3,267	85,275	205,976	686,507
Intermediate sources	60	0	0	0	0	60
State sources	5,502,323	105	0	419	241	5,503,088
Federal sources	298,436	0	0	0	978	299,414
Total revenues	11,698,606	239,418	1,336,953	878,253	663,012	14,816,242
<b>EXPENDITURES:</b>						
Current:						
Instruction:						
Regular instruction	4,113,553	12,857	0	0	0	4,126,410
Special instruction	2,197,819	0	0	0	0	2,197,819
Other instruction	1,232,250	0	0	0	188,504	1,420,754
	7,543,622	12,857	0	0	188,504	7,744,983
Support services:						
Student services	458,322	0	0	0	0	458,322
Instructional staff services	495,101	10,096	0	0	7,742	512,939
Administration services	1,468,950	0	0	4,501	0	1,473,451
Operation and maintenance of plant services	1,127,320	274,312	0	0	387,776	1,789,408
Transportation services	530,577	193	0	0	82,896	613,666
	4,080,270	284,601	0	4,501	478,414	4,847,786
Non-instructional programs:						
Food service operations	0	250	0	0	0	250
Other expenditures:						
Facilities acquisitions	0	0	85,799	0	341,970	427,769
Long-term debt:						
Principal	0	0	0	1,385,000	0	1,385,000
Interest and fiscal charges	0	0	0	373,692	0	373,692
AEA flowthrough	412,140	0	0	0	0	412,140
	412,140	0	85,799	1,758,692	341,970	2,598,601
Total expenditures	12,036,032	297,708	85,799	1,763,193	1,008,888	15,191,620
Excess(deficiency) of revenues over(under) expenditures	(337,426)	(58,290)	1,251,154	(884,940)	(345,876)	(375,378)
Other financing sources(uses):						
Transfers in	0	0	0	1,357,318	0	1,357,318
Transfers out	0	0	(1,357,318)	0	0	(1,357,318)
Total other financing sources(uses)	0	0	(1,357,318)	1,357,318	0	0
Net change in fund balances	(337,426)	(58,290)	(106,164)	472,378	(345,876)	(375,378)
Fund balance beginning of year	2,965,968	999,316	75,424	2,535,183	588,030	7,163,921
Fund balance end of year	\$ 2,628,542	941,026	(30,740)	3,007,561	242,154	6,788,543

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2006

Net change in fund balances - total governmental funds(page 18) \$ (375,378)

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 630,315	
Depreciation expense	(838,386)	
Loss on disposal of capital assets	<u>(23,824)</u>	(231,895)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets 1,385,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 14,813

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	<u>(115,407)</u>
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Changes in net assets of governmental activities(page 15) \$ 677,133

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2006

	School Nutrition	Cornell Elem.	Eagles Nest	Total
ASSETS				
Cash and cash equivalents	\$ 180,628	27,390	57,046	265,064
Accounts receivable	567	0	0	567
Inventories	9,088	0	0	9,088
Capital assets, net of accumulated depreciation(Note 5)	96,300	0	0	96,300
TOTAL ASSETS	286,583	27,390	57,046	371,019
LIABILITIES				
Accounts payable	931	0	400	1,331
Salaries and benefits payable	0	0	4,155	4,155
Deferred revenue:				
Other	3,547	0	0	3,547
TOTAL LIABILITIES	4,478	0	4,555	9,033
NET ASSETS				
Investment in capital assets, net of related debt	96,300	0	0	96,300
Unrestricted	185,805	27,390	52,491	265,686
TOTAL NET ASSETS	\$ 282,105	27,390	52,491	361,986

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2006

	School Nutrition	Cornell Elem.	Eagles Nest	Total
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 343,805	18,036	91,864	453,705
TOTAL OPERATING REVENUES	343,805	18,036	91,864	453,705
OPERATING EXPENSES:				
Non-instructional programs:				
Salaries	219,248	0	57,244	276,492
Benefits	55,515	0	6,387	61,902
Services	9,295	0	0	9,295
Supplies	288,280	0	15,504	303,784
Depreciation	13,521	0	0	13,521
TOTAL OPERATING EXPENSES	585,859	0	79,135	664,994
OPERATING INCOME (LOSS)	(242,054)	18,036	12,729	(211,289)
NON-OPERATING REVENUES:				
State sources	7,042	0	0	7,042
Federal sources	286,614	0	0	286,614
Interest on investments	4,453	700	1,939	7,092
TOTAL NON-OPERATING REVENUES	298,109	700	1,939	300,748
Net income before other financing uses	56,055	18,736	14,668	89,459
OTHER FINANCING USES				
Loss on disposal of assets	(327)	0	0	(327)
Change in net assets after other financing uses	55,728	18,736	14,668	89,132
Net assets beginning of year	226,377	8,654	37,823	272,854
Net assets end of year	\$ 282,105	27,390	52,491	361,986

SEE NOTES TO FINANCIAL STATEMENTS.



SAYDEL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2006

	School Nutrition	Cornell Elem.	Eagles Nest	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 322,528	0	0	322,528
Cash received from miscellaneous	21,054	18,036	91,864	130,954
Cash payments to employees for services	(274,763)	0	(62,786)	(337,549)
Cash payments to suppliers for goods or services	(268,562)	0	(15,104)	(283,666)
Net cash provided by(used in) operating activities	(199,743)	18,036	13,974	(167,733)
Cash flows from non-capital financing activities:				
State grants received	7,042	0	0	7,042
Federal grants received	257,590	0	0	257,590
Net cash provided by non-capital financing activities	264,632	0	0	264,632
Cash flows from capital and related financing activities:				
Purchase of capital assets	(23,651)	0	0	(23,651)
Net cash used in capital and related financing activities	(23,651)	0	0	(23,651)
Cash flows from investing activities:				
Interest on investments	4,453	700	1,939	7,092
Net cash provided by investing activities	4,453	700	1,939	7,092
Net increase in cash and cash equivalents	45,691	18,736	15,913	80,340
Cash and cash equivalents at beginning of year	134,937	8,654	41,133	184,724
Cash and cash equivalents at end of year	\$ 180,628	27,390	57,046	265,064
Reconciliation of operating loss to net cash used in operating activities:				
Operating gain (loss)	\$ (242,054)	18,036	12,729	(211,289)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Commodities consumed	28,457	0	0	28,457
Depreciation	13,521	0	0	13,521
Decrease in inventories	121	0	0	121
Increase in accounts payable	435	0	400	835
Increase in salaries and benefits payable	0	0	845	845
Decrease in deferred revenue	(223)	0	0	(223)
Net cash provided by(used in) operating activities	\$ (199,743)	18,036	13,974	(167,733)

RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR  
END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE  
SHEET:

Current assets:				
Cash and pooled investments	\$ 180,628	27,390	57,046	265,064

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$28,457.

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

(1) **Summary of Significant Accounting Policies**

The Saydel Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Des Moines, Iowa, and the predominate agricultural territory in Polk County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Saydel Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Saydel Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Polk County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Management Fund is utilized to account for the payment of property insurance, early retirement benefits and unemployment benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary funds are the School Nutrition Fund, Cornell Elementary Preschool Fund, and Eagles Nest Daycare Fund. The Nutrition fund is used to account for the food service operations of the District. The Cornell Elementary Preschool Fund is used to account for the preschool operations of the District. The Eagles Nest Daycare fund is used to account for the daycare operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB

pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been

recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$3,601,977.

### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2006 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 82,511</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated AAA by Moody's Investors Service.

### (3) Transfers

The detail of transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 1,357,318</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

### (4) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,500	0	0	7,500
Total capital assets not being depreciated	<u>7,500</u>	<u>0</u>	<u>0</u>	<u>7,500</u>
Capital assets being depreciated:				
Buildings	24,420,888	23,940	0	24,444,828
Land improvements	1,478,813	23,800	0	1,502,613
Machinery and equipment	3,863,682	582,575	533,417	3,912,840
Total capital assets being depreciated	<u>29,763,383</u>	<u>630,315</u>	<u>533,417</u>	<u>29,860,281</u>
Less accumulated depreciation for:				
Buildings	13,691,765	483,608	0	14,175,373
Land improvements	605,984	74,497	0	680,481
Machinery and equipment	2,740,044	280,281	509,593	2,510,732
Total accumulated depreciation	<u>17,037,793</u>	<u>838,386</u>	<u>509,593</u>	<u>17,366,586</u>
Total capital assets being depreciated, net	<u>12,725,590</u>	<u>(208,071)</u>	<u>23,824</u>	<u>12,493,695</u>
Governmental activities capital assets, net	<u>\$ 12,733,090</u>	<u>(208,071)</u>	<u>23,824</u>	<u>12,501,195</u>
Business-type activities:				
Machinery and equipment	\$ 176,484	23,651	4,589	195,546
Less accumulated depreciation	89,987	13,521	4,262	99,246
Business-type activities capital assets, net	<u>\$ 86,497</u>	<u>10,130</u>	<u>327</u>	<u>96,300</u>



Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 124,430
Special	28,172

Support services:

Student	2,516
Instructional staff	7,535
Administration	32,158
Operation and maintenance of plant	8,095
Transportation	77,375

280,281

Unallocated depreciation

558,105

Total governmental activities depreciation expense

\$ 838,386

Business-type activities:

Food service operations

\$ 13,521

**(5) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 5,080,000	0	600,000	4,480,000	455,000
Revenue bonds	5,675,000	0	785,000	4,890,000	815,000
Early Retirement	81,387	125,812	10,405	196,794	28,293
Total	\$ 10,836,387	125,812	1,395,405	9,566,794	1,298,293

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonds, which will be paid using Debt Service Funds, are as follows:

Year	Bond Issue of January 1, 1999			Bond Issue of March 1, 2005			Total		
Ending June 30,	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2007	4.00 %	\$ 25,000	172,705	3.00 %	\$ 430,000	9,675	\$ 455,000	182,380	637,380
2008	4.25	500,000	171,705				500,000	171,705	671,705
2009	4.25	525,000	150,455				525,000	150,455	675,455
2010	4.25	545,000	128,143				545,000	128,143	673,143
2011	4.25	570,000	104,980				570,000	104,980	674,980
2012	4.25	600,000	80,755				600,000	80,755	680,755
2013	4.30	635,000	55,255				635,000	55,255	690,255
2014	4.30	650,000	27,950				650,000	27,950	677,950
Total		\$ 4,050,000	891,948		\$ 430,000	9,675	\$ 4,480,000	901,623	5,381,623

## Revenue Bonds Payable

Details of the District's June 30, 2006 revenue bonded indebtedness, which is paid with Local Option Sales and Services Tax reported in the Capital Projects Fund is as follows:

Year	Bond Issue of September 1, 2002			Bond Issue of August 1, 2004			Total		
Ending June 30,	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2007	3.00 % \$	815,000	134,587	3.00 % \$		14,250	815,000	148,837	963,837
2008	3.00	850,000	109,612	3.00	475,000	7,125	1,325,000	116,737	1,441,737
2009	3.30	875,000	82,425				875,000	82,425	957,425
2010	3.55	925,000	51,569				925,000	51,569	976,569
2011	3.70	950,000	17,575				950,000	17,575	967,575
Total		\$ 4,415,000	395,768		\$ 475,000	21,375	\$ 4,890,000	417,143	5,307,143

## Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be between the ages of fifty-five and sixty-two, must have completed ten years of full-time service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is calculated upon 85 percent of the difference between the salary schedule base and the licensed employee's current salary, less supplemental pay or extended contract pay, plus the cost to the school district for providing continuing coverage under the school district's group insurance plan until the licensed employee uses up their reserve. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

## **(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$403,181, \$374,134, and \$369,326 respectively, equal to the required contributions for each year.

**(7) Risk Management**

Saydel Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$412,140 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Deficit Fund Balances**

For the year ended June 30, 2006, the District's Capital Projects Fund had a deficit fund balance of \$30,740.

REQUIRED SUPPLEMENTARY INFORMATION

SAYDEL COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2006

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual	Actual			Variance
Revenues:						
Local sources	\$ 9,013,680	460,797	9,474,477	8,773,953	8,773,953	700,524
Intermediate sources	60	0	60	10,000	10,000	(9,940)
State sources	5,503,088	7,042	5,510,130	5,526,609	5,526,609	(16,479)
Federal sources	299,414	286,614	586,028	492,500	492,500	93,528
Total revenues	14,816,242	754,453	15,570,695	14,803,062	14,803,062	767,633
Expenditures:						
Instruction	7,744,983	0	7,744,983	7,693,529	8,873,506	1,128,523
Support services	4,847,786	0	4,847,786	4,747,000	6,822,000	1,974,214
Non-instructional programs	250	664,994	665,244	671,000	753,000	87,756
Other expenditures	2,598,601	0	2,598,601	3,032,421	3,297,421	698,820
Total expenditures	15,191,620	664,994	15,856,614	16,143,950	19,745,927	3,889,313
Excess(deficiency) of revenues over(under) expenditures	(375,378)	89,459	(285,919)	(1,340,888)	(4,942,865)	(4,656,946)
Other financing uses, net	0	(327)	(327)	0	0	327
Excess(deficiency) of revenues over(under) expenditures	(375,378)	89,132	(286,246)	(1,340,888)	(4,942,865)	(4,656,619)
Balance beginning of year	7,163,921	272,854	7,436,775	5,605,998	5,605,998	1,830,777
Balance end of year	\$ 6,788,543	361,986	7,150,529	4,265,110	663,133	6,487,396

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -- BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$3,601,977.

OTHER SUPPLEMENTARY INFORMATION

SAYDEL COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2006

	Student Activity	Physical Plant and Equipment Levy	Expend- able Trust	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 62,252	241,767	27,626	331,645
Receivables:				
Property tax:				
Current year delinquent	0	6,277	0	6,277
Succeeding year	0	831,730	0	831,730
Accounts	7,438	0	0	7,438
<b>TOTAL ASSETS</b>	<b>\$ 69,690</b>	<b>1,079,774</b>	<b>27,626</b>	<b>1,177,090</b>
<b>LIABILITIES AND FUND EQUITY</b>				
Liabilities:				
Accounts payable	\$ 6,520	96,686	0	103,206
Deferred revenue:				
Succeeding year property tax	0	831,730	0	831,730
	6,520	928,416	0	934,936
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	63,170	151,358	27,626	242,154
Total fund balances	63,170	151,358	27,626	242,154
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 69,690</b>	<b>1,079,774</b>	<b>27,626</b>	<b>1,177,090</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



SAYDEL COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2006

	Student Activity	Physical Plant and Equipment Levy	Expend- able Trust	Total
REVENUES:				
Local sources:				
Local tax	\$ 0	455,817	0	455,817
Other	196,723	8,187	1,066	205,976
State sources	0	241	0	241
Federal sources	0	978	0	978
TOTAL REVENUES	196,723	465,223	1,066	663,012
EXPENDITURES:				
Current:				
Instruction:				
Other instruction	187,854	0	650	188,504
Support services:				
Instructional staff services	7,742	0	0	7,742
Operation and maintenance of plant services	0	387,776	0	387,776
Student transportation	0	82,896	0	82,896
Other expenditures:				
Facilities acquisitions	0	341,970	0	341,970
TOTAL EXPENDITURES	195,596	812,642	650	1,008,888
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,127	(347,419)	416	(345,876)
FUND BALANCE BEGINNING OF YEAR	62,043	498,777	27,210	588,030
FUND BALANCE END OF YEAR	\$ 63,170	151,358	27,626	242,154

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS Drama	\$ 5,589	2,180	4,312	3,457
HS Band	430	0	0	430
HS Athletics	(1,089)	117,958	115,479	1,390
Class 2004	(497)	497	0	0
Class 2005	195	0	195	0
Class 2006	932	7,450	5,437	2,945
Class 2007	1,028	1,526	2,554	0
Class 2008	30	0	0	30
Class 2009	0	270	0	270
Other HS Accounts	30,678	25,577	22,734	33,521
Woodside Accounts	21,847	36,761	39,572	19,036
Cornell Accounts	406	2,541	2,204	743
Norwoodville Accounts	969	1,963	1,584	1,348
Interest	1,525	0	1,525	0
Total	\$ 62,043	196,723	195,596	63,170

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2006	2005	2004	2003
<b>Revenues:</b>					
Local sources:					
Local tax	\$	7,317,531	8,014,844	7,321,833	7,069,691
Tuition		1,009,642	877,047	831,183	634,092
Other		686,507	428,360	340,121	415,019
Intermediate sources		60	2,121	5,402	7,498
State sources		5,503,088	5,555,709	5,634,457	5,549,180
Federal sources		299,414	296,225	229,517	231,587
Total	\$	14,816,242	15,174,306	14,362,513	13,907,067
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular instruction	\$	4,126,410	4,054,942	3,898,480	4,129,736
Special instruction		2,197,819	2,462,914	2,330,861	1,991,768
Other instruction		1,420,754	782,626	807,675	808,977
Support services:					
Student services		458,322	347,629	382,996	346,912
Instructional staff services		512,939	683,959	377,178	418,433
Administration services		1,473,451	1,311,237	1,416,274	1,237,231
Operation and maintenance of plant services		1,789,408	1,530,754	1,203,079	1,343,647
Transportation services		613,666	558,842	470,960	457,323
Non-instructional programs		250	1,680	30,253	0
Other expenditures:					
Facilities acquisitions		427,769	959,360	3,805,648	2,174,936
Long-term debt:					
Principal		1,385,000	2,415,000	1,280,000	1,530,000
Interest		373,692	491,051	545,000	471,488
AEA flow-through		412,140	410,100	411,969	419,018
Total	\$	15,191,620	16,010,094	16,960,373	15,329,469

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2006

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DONATIONS (non-cash)	10.550	FY 06	\$ 28,457
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 06	60,407
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 06	197,750
			<u>258,157</u>
DEPARTMENT OF DEFENSE:			
IOWA DEPARTMENT OF EDUCATION:			
FLOOD CONTROL PROJECTS	12.106	FY 06	<u>978</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 05	1,008
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 06	126,259
			<u>127,267</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)	84.151	FY 05	391
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)	84.151	FY 06	3,543
			<u>3,934</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 06	<u>3,734</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 06	<u>42,779</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 04	6,629
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 05	3,322
			<u>9,951</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2006

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT (CONTINUED)			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 05	18,449
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 06	32,350
			<u>50,799</u>
FUND FOR THE IMPROVEMENT OF EDUCATION (CAROL WHITE PHYSICAL EDUCATION PROGRAM)	84.215	FY 06	<u>3,863</u>
ENHANCING EDUCATION THROUGH TECHNOLOGY (E2T2)	84.318	FY 06	<u>5,000</u>
TOTAL			<u>\$ 613,428</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Saydel Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general-purpose financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

### Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

### Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the  
Saydel Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Saydel Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 27, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Saydel Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-06 is a material weakness.

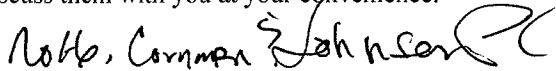
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Saydel Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Saydel Community School District and other parties to whom Saydel Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Saydel Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

October 27, 2006

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

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### Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of the  
Saydel Community School District:

#### Compliance

We have audited the compliance of Saydel Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Saydel Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Saydel Community School District's management. Our responsibility is to express an opinion on Saydel Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Saydel Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Saydel Community School District's compliance with those requirements.

In our opinion, Saydel Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

#### Internal Control Over Compliance

The management of Saydel Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Saydel Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Saydel Community School District and other parties to whom Saydel Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

  
NOLTE, CORNMAN & JOHNSON, P.C.

October 27, 2006

SAYDEL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006

Part I: Summary of the Independent Auditor's Report

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No reportable conditions in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program were as follows:
  - Clustered
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
  - Individual
    - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Saydel Community School District did not qualify as a low-risk auditee.

SAYDEL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted in the Student Activity Fund that the cash receipts and bank deposits were done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

II-B-06 Gate Admissions - The gate admissions were not reconciled to pre-numbered tickets.

Recommendation - The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the admissions to the number of tickets issued.

Response - We will take the actions necessary to ensure that the reconciliation of admissions to pre-numbered tickets is performed.

Conclusion - Response accepted.

II-C-06 Timely Deposits - We noted during our audit that deposits for the Student Activity fund were not done timely.

Recommendation - All receipts should be deposited when received. The district should review procedures to ensure that the deposits are made timely.

Response - We will see to it that receipts are deposited in a timelier manner.

Conclusion - Response accepted.

II-D-06 District and Regional Rents - We noted during our audit that the District receives money for use of facilities when hosting district and regional events.

Recommendation - Chapter 297.9 of the code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage into the General Fund.

Response - We will do so.

Conclusion - Response accepted.

II-E-06 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations of the General, Activity, and Nutrition Funds which have been outstanding for over a year.

Recommendation - The District should research the outstanding checks to determine if they should be reissued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Response - We will research these checks and see to proper disposition.

Conclusion - Response accepted.

SAYDEL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No matters were reported.

SAYDEL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006

Part IV: Other Findings Related to Statutory Reporting

IV-A-06 Certified Budget - District disbursements for the year ended June 30, 2006, did not exceed the amount budgeted.

IV-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-06 Business Transactions - No business transactions between the District and District officials or employees were noted.

IV-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will take steps to improve, publishing in a more timely fashion

Conclusion - Response accepted.

IV-G-06 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students on line one was overstated by 25.3 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Department of Education and the Department of Management to resolve the situation.

Conclusion - Response accepted.

IV-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-J-06 Financial Condition - The District's Capital Projects Fund had a deficit fund balance of \$30,740 as of June 30, 2006.

Recommendation - The District should monitor these funds and investigate alternatives to eliminate these deficits.

Response - A transfer of available funds from other available accounts were made shortly after the end of the fiscal year. The deficit no longer exists.

Conclusion - Response accepted.